

**THE STATE OF MONTANA PUBLIC EMPLOYEE
DEFINED CONTRIBUTION PLAN**

Effective July 1, 2002

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Whereas, the Public Employees' Retirement Board is authorized by 19-3-2102, MCA, to establish within the Public Employees' Retirement System a defined contribution plan in accordance with Montana law;

Whereas, the Plan must be established as a pension plan for the exclusive benefit of members and their beneficiaries and as a "qualified plan" pursuant to section 401(a) of the Internal Revenue Code and its implementing regulations;

Whereas, assets of the Plan must be held in trust, with the Board acting as trustee;

Whereas, the Plan is established in addition to any retirement, pension, deferred compensation, or other benefit plan administered by the State or a political subdivision; and

Whereas, the Board has the powers and shall perform the duties regarding the defined contribution plan as provided in 19-2-403, MCA, as applicable and may also exercise the powers and shall perform the duties provided in Title 19, Chapter 3, MCA;

Whereas, the Board will go through the process set out in Montana Administrative Procedure Act, and will adopt this Plan in compliance with all applicable laws and regulations prior to July 1, 2002;

Now, therefore, effective July 1, 2002, the Public Employees' Retirement Board hereby establishes the State of Montana Defined Contribution Plan, a defined contribution plan under Section 401(a) of the Internal Revenue Code. The Plan consists of the provisions set forth in this document and the provisions of 19-3-2101 et. seq., MCA.

ARTICLE I - DEFINITIONS

1.01 "Accounts" means the accounts maintained for a Participant by the Administrator. Each Participant shall have an Employer Contribution Account, a Member Contribution Account, and an Other Contribution Account.

1.02 "Active Participant" means a Participant who is a paid Employee of an Employer, is making required contributions, and is properly reported to the Board for the most current reporting period.

1.03 "Administrator" means the Montana Public Employees' Retirement Board or the Montana Public Employee Retirement Administration.

1.04 "Applicable Form" means the appropriate form as designated and furnished by the Administrator to make an election or provide a notice as required by the Plan. If a written election or

consent is not specifically required by the Code, the Board may prescribe a verbal, electronic or telephonic instruction in lieu of or in addition to a written form.

1.05 "Beneficiary" means the person or persons designated by a Participant pursuant to an Applicable Form to receive any benefit payable upon the Participant's death.

1.06 "Board" refers to the Montana Public Employees' Retirement Board created in 2-15-1009, MCA, and to any person to whom the Board has delegated any function with respect to the Plan.

1.07 "Code" means the Internal Revenue Code of 1986, as amended, and where appropriate, the Internal Revenue Code of 1954.

1.08 "Compensation" means remuneration paid out of funds controlled by an employer before any pretax deductions allowed by state or federal law are made. Pretax deductions allowed by federal law include: any elective deferral to a Code Section 403(b) plan, any deferrals by reason of Code Sections 125 or 457, and picked up contributions. Compensation does not include: (1) the payments or contributions made in lieu of wages for an individual subject to 19-3-403(4)(a), MCA; or (2) remuneration in excess of the limits established Section 4.03 (\$200,000 for 2002, as adjusted thereafter pursuant to Code Section 401(a)(17)(B)).

1.09 "Defined Benefit Plan" means the defined benefit plan within the Montana Public Employees' Retirement System, established in 19-3-103, MCA.

1.10 "Disability" or "Disabled" means a total inability of the Participant to perform the Participant's services by reason of physical or mental incapacity. The disability must be incurred when the Participant is an active Participant and must be one of permanent duration or extended duration, as determined by the Board on the basis of competent medical opinion.

1.11 "Effective Date" means July 1, 2002.

1.12 "Eligible Employee" means a person who is employed and paid by an Employer and who is a member of the Defined Benefit Plan.

1.13 "Employer" means the State of Montana, including its University system or any of the colleges, schools, components or units of the university system, and any contracting employer as provided in 19-3-108 and 19-3, Part 2, MCA.

1.14 "Inactive Participant" means a Participant who is not an Active Participant or retired Participant.

1.15 "Investment Option" means an investment option which forms part of the Trust Fund as selected and monitored by the Trustees.

1.16 "MCA" means the Montana Code Annotated.

1.17 "Membership Service" means the periods of service that are used to determine eligibility for retirement and other benefits under the Defined Benefit Plan.

1.18 "ORP" means the optional retirement program established under Chapter 21 of Title 19, MCA.

1.19 "Participant" means an Eligible Employee who participates or participated under this Plan.

1.20 "Participation Agreement" means the Applicable Form completed by an Eligible Employee to participate in the Plan.

1.21 "Plan" refers to the Defined Contribution Plan established pursuant to 19-3-103 and Part 21 of Title 19, Chapter 3, MCA.

1.22 "Plan Year" means the calendar year.

1.23 "Service Manager" means the person or organization appointed by the Administrator to perform third party service and administrative functions.

1.24 "State" means the State of Montana.

1.25 "Termination from Service" means severance of a Participant's employment with the Employer for any reason, including disability and retirement. A Participant shall be deemed to have terminated employment with the Employer for purposes of the Plan when, in accordance with the established personnel practices of the Employer, the employment relationship is considered actually terminated and the Participant has been paid all compensation due upon termination of employment, including, but not limited to, payment of accrued annual leave credits, as provided in 2-18-617, MCA, and payment of accrued sick leave credits, as provided in 2-18-618, MCA. Compensation as a result of legal action, court order, appeal or settlement to which the Board was not a party is not a payment due upon termination.

1.26 "Trust" means the trust established by the Board pursuant to a written agreement that constitutes a valid trust under the law of Montana.

1.27 "Trust Fund" means the assets of the Trust in all Investment Options selected by the Trustees.

1.28 "Trustees" means the Montana Public Employees' Retirement Board created in 2-15-1009, MCA.

1.29 "Vested Accounts" means the sum of the Employee Contribution Account, the Miscellaneous Account, and the vested amount in the Employer Contribution Account.

If a term is defined in Chapters 2 or 3 of Title 19, MCA, that definition applies to the term as used in this Plan. Words used herein in the masculine or feminine gender shall be construed to include the feminine or masculine gender where appropriate and words used herein in the singular or plural shall be construed as being in the plural or singular where appropriate.

ARTICLE II - PARTICIPATION

2.01 Eligibility. An Eligible Employee may become a Participant in this Plan as follows:

(a) An individual who is an active participant of the Defined Benefit Plan on the Effective Date may elect to transfer to and become a Participant in this Plan within twelve months after the Effective Date. If such an election is not made, the individual remains a member of the Defined Benefit Plan, unless they are an university system employee and have opted into an ORP.

(b) An individual who is an inactive member of the Defined Benefit Plan on the Effective Date who is rehired as an Eligible Employee after the Effective Date may elect to transfer to and become a Participant in this Plan within twelve months after the Member's rehire date, as reported on the Employer's payroll report. If such an election is not made within twelve months after the rehire date, the individual remains a member of the Defined Benefit Plan, unless they are an university system employee and have opted into an ORP.

(c) An individual who is initially hired as an Eligible Employee on and after the Effective Date may elect to become a Participant in this Plan within twelve months of the Eligible Employee's hire date, as reported on the Employer's payroll report.

(d) Any Eligible Employee who does not elect into this Plan will remain in the Defined Benefit Plan, unless they are an university system employee and have opted into an ORP.

(e) An individual may only be a member of one of the following at any one time: the Defined Benefit Plan, an ORP, and this Plan.

(f) An Eligible Employee who is subject to a family law order or an execution or income withholding order may not become a Participant unless the order is modified to apply under the Plan and an election is made within the permissible twelve month period under the applicable provision above.

2.02 Changes to Election.

- (a) All elections are irrevocable.
- (b) Except as provided in (c), if a Participant in this Plan becomes an Inactive Participant and is rehired by an Employer, that Participant remains as a Participant in this Plan, and may not elect into the Defined Benefit Plan.
- (c) A Participant who becomes an Inactive Participant and who is rehired by an Employer will be a member in the Defined Benefit Plan if both of the following occur:
 - (1) The Participant receives a refund of the Participant's Vested Account prior to the rehire date.
 - (2) The Participant terminates employment and does not return to employment within twenty-four (24) months.

Such an Eligible Employee may elect to be a Participant in this Plan within twelve (12) months of their rehire date, as reported on the Employer's payroll report, but otherwise, if no election is made, shall remain a member of the Defined Benefit Plan.

- (d) A Participant who becomes an Inactive Participant and who is rehired by an Employer within twenty-four (24) consecutive months of Termination from Service shall remain a member of this Plan.
- (e) Notwithstanding anything contained herein to the contrary, an individual in an ORP may not elect to be a Participant in this Plan.

2.03 Termination of Plan Participation. A Participant shall cease to be a Participant in this Plan on the distribution of the Participant's Vested Account in the Plan.

ARTICLE III - CONTRIBUTIONS

3.01 Contributions. Contributions shall be made to the Plan in accordance with this Article and subject to the limitations under Article IV.

3.02 Employer Contributions. The Employer contribution shall be calculated as follows:

- (a) 6.9%, less
- (b) the plan choice rate determined under 19-3-2117 and 19-3-2121, MCA, less

- (c) the education fund rate and less
- (d) the long term disability fund rate under 19-3-2117.

3.03 Employee Contributions. Employee contributions under the Plan shall be 6.9% of Compensation. These contributions shall be picked-up pursuant to Section 414(h)(2) of the federal Internal Revenue Code.

3.04 Payment of Employer and Employee Contributions. The contributions for each payroll period shall be paid within such time as required by law. The Board shall establish policies and procedures for the remittance and collection of contributions.

3.05 Rollover Contributions. Rollovers from other permissible sources will be allowed to the extent permitted by law, subject to any conditions, proofs, or acceptance the Board or its designee deems appropriate. Permissible sources shall include a qualified plan described in section 401(a) or 403(a) of the Code, including after-tax employee contributions; an annuity contract described in section 403(b) of the Code, excluding after-tax employee contributions; or an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state. The Plan will accept a Participant rollover contribution of the portion of a distribution from an individual retirement account or annuity described in section 408(a) or 408(b) of the Code that is eligible to be rolled over and would otherwise be includible in gross income.

ARTICLE IV - LIMITATIONS ON CONTRIBUTIONS

4.01 Applicability of Article. Notwithstanding any provision of the Plan to the contrary, contributions to the Plan and additions to Accounts of Participants shall be limited as provided in Code Section 415 as provided in this Article or Montana statute.

4.02 Limitation under Code Section 415. Notwithstanding anything in the Plan to the contrary, the following limitations shall apply:

(a) To the extent required under Code Section 415(c), in no event shall the “annual addition,” as defined in this Section for a Participant for any Plan Year, exceed the lesser of:

- (1) Forty Thousand Dollars (\$40,000) as adjusted under Code Section 415(d) or
- (2) one-hundred percent (100%) of the “compensation,” as defined in this Section, of such Participant received during the Plan Year.

(b) For purposes of this Section and subject to Code Section 415(h), all defined contribution plans of each Employer are to be treated as a single defined contribution plan.

(c) If the annual addition for a Participant under the Plan, determined without regard to the limitation of paragraph (a), would have been greater than the annual addition for such Participant as limited by paragraph (a), then the excess, if due to a reasonable error in estimating compensation or such other circumstances as found by the Secretary of the Treasury to justify application of this paragraph, shall be reduced, to the extent necessary to satisfy such limitation by holding the excess unallocated in a suspense account and using it to reduce Employer contributions in subsequent Plan Years.

(d) For purposes of this Section, "annual addition" means the annual addition as defined in Code Section 415(c) and as modified in Code Sections 415(l)(1) and 419A(d)(2). In general, Code Section 415(c) defines the annual addition as the sum of the following amounts credited to a Participant's accounts for the limitation year under this Plan and any other defined contribution plan maintained by an Employer:

- (1) employer contributions; and
- (2) employee contributions.

(e) For purposes of this Section, the following types of contributions are not employer contributions and are not "annual additions":

- (1) The restoration of an employee's accrual benefit by the employer in accordance with Code Section 411(a)(3)(D) or Code Section 411(a)(7)(C) will not be considered an annual addition for the limitation year in which the restoration occurs.
- (2) The transfer of funds from one qualified plan to another will not be considered an annual addition for the limitation year in which the transfer occurs.

(f) For purposes of this Section, the following types of contributions are not treated as employee contributions and are not "annual additions":

- (1) Rollover contributions.
- (2) Repayments of amounts described in Code Section 411(a)(7)(B).
- (3) The direct transfer of employee contributions from one qualified plan to another.
- (4) Any employer contributions to the education fund.
- (5) Any employer contributions to the long-term disability trust fund.

(g) For purposes of this Section, “compensation” means compensation as defined in Code Section 415(c)(3). In general, Code Section 415(c)(3) defines compensation as all of a Participant’s wages as defined in Code Section 3401(a) for the purposes of income tax withholding at the source but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code Section 3401(a)(2)); provided, however, compensation shall also include the amount of any elective deferrals, as defined in Code Section 402(g)(3), and any amount contributed or deferred by the employer at election of the Employee and which is not includible in the gross income of the Employee by reason of Code Section 125 or 457.

4.03 Limitation under Code Section 401(a)(17). The annual compensation of each participant taken into account in determining allocations for any Plan Year beginning after December 31, 2001, shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Code. Annual compensation means compensation during the Plan Year (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year. Wages in excess of the limits established in Code Section 401(a)(17)(B) shall also not be used in calculation of limits under this Section.

ARTICLE V - TRANSFERS

5.01 Transfer from Defined Benefit Plan for Participants with Service Before the Effective Date. For a Participant who was an active member of the Defined Benefit Plan on the Effective Date, and who elects to transfer to this Plan, the Board shall transfer the following from the Defined Benefit Plan:

(a) to the Participant's Employee Contribution Account, the Participant's regular employee contributions and any additional employee contributions to the Defined Benefit Plan, plus 8% compounded annual interest from the dates contributions are credited to the Defined Benefit Plan Employee Contribution Account to the last day of the month preceding the date of transfer;

(b) to the Participant's Employer Contribution Account, the sum of the following:

(1) an amount determined under the following table:

<u>Years of Service as of Date of Transfer</u>	<u>Percentage of Employer Contributions to the Defined Benefit Plan to be Transferred</u>
Less than 5 years	65.53%
5 years but less than 10	58.59%
10 years but less than 15	55.26%

15 years but less than 20	55.42%
20 or more years	57.53%

plus 8% compounded annual interest to the last day of the month preceding the date of transfers.

- (2) An amount equal to the employer contributions that would have been made from the Effective Date to this Plan, plus 8% compounded annual interest from the Effective Date.

5.02 Transfers from the Defined Benefit Plan for Participants Hired on or after the Effective Date. For an Eligible Employee hired on or after the Effective Date who elects to be a Participant in this Plan, the Board shall transfer from the Defined Benefit Plan the following:

- (1) to the Participant's Employer Contribution Account, an amount equal to amount that would have been contributed under Section 3.02 by the Employer had the Eligible Employee been a Participant on the Eligible Employee's most recent hire date plus 8% interest; and
- (2) to the Participant's Employee Contribution Account, an amount that would have been contributed under Section 3.03 by the Employee had the Eligible Employee been a Participant on the most recent hire date plus 8% interest.

ARTICLE VI - ACCOUNTS AND REPORTS

6.01 Accounts. The Administrator or a duly appointed delegate shall maintain three Accounts with respect to each Participant. The Employer Contribution Account shall be credited with the Employer Contributions for each pay period, and the Employee Contribution Account shall be credited with the Participant's Employee Contributions for each pay period. The Other Contribution Account shall be credited with any rollovers or transfer to the Plan for the benefit of the Participant other than Employer and Employee Contributions made pursuant to Sections 3.02 and 3.03. The balance of such Accounts shall be adjusted daily to reflect any distribution to the Participant and all interest, dividends, account charges and changes of market value resulting from the investment of the Participant's Accounts. All Plan records, including individual account information, that are maintained by the Board or its delegate shall be the exclusive property of the Trustees.

6.02 Statements of Accounts. A written report of the status of each Participant's Accounts shall be furnished by the Service Manager within thirty (30) days after the end of each Plan quarter. All reports to Participants shall be based on the fair market value of investments credited to their Accounts as of the reporting dates. Participant reports shall be deemed to have been accepted by the Participant as

correct unless written notice to the contrary is received by the Service Manager within sixty (60) days after the mailing or distribution of a report to the Participant.

6.03 Statements of Account to the Administrator. A written report of the Plan assets shall be furnished by the Service Manager to the Administrator within thirty (30) days after the end of each Plan quarter. The Administrator may request additional reports from the Service Manager, in the Administrator's sole discretion.

6.04 Year End Reports. A written report shall be prepared as of June 30 of each year and submitted to the Administrator by the Service Manager within thirty (30) days (and maintained on file by the Administrator) showing the assets held under the Plan, a schedule of all receipts and disbursements and all material transactions of the Plan during the preceding year. This report shall be in a form and shall contain other information as the Administrator deems appropriate. The Service Manager shall also provide such information to the Administrator as the Administrator deems necessary or appropriate for preparation of its annual report.

6.05 Account Reviews. In accordance with Montana law, the Administrator's records shall be open to inspection during normal business hours by any Participant or a designated representative of the Employer or a Participant. However, no Participant may review any record specifically relating to any other Participant.

ARTICLE VII - VALUATION OF ACCOUNTS

7.01 Valuation. The managers of each Investment Option shall value the investments in their fund each business day based on acceptable industry practices. All daily transactions shall be based on that day's closing market values. The Service Manager shall apply such values to appropriate Participant Accounts.

7.02 Deposits. In all cases, deposits of contributions shall be treated as actually made only as of the date the funds are accepted as in good order by the Administrator.

ARTICLE VIII - TRUST

8.01 Trust Status. All assets held in connection with the Plan, including all contributions to the Plan, all property and rights acquired or purchased with such amounts and all income attributable to such amounts, property or rights shall be held in trust for the exclusive benefit of Participants and their Beneficiaries under the Plan. No part of the assets and income of the Plan shall be used for, or diverted to, purposes other than for the exclusive benefit of Participants and their Beneficiaries and for defraying reasonable expenses of the Plan.

8.02 Trust Fund. All amounts of compensation deferred pursuant to the Plan, all property and rights acquired or purchased with such amounts and all income attributable to such amounts, property or rights held as part of the Plan, shall be transferred to the Board to be held, managed, invested and distributed as part of the Trust Fund in accordance with the provisions of the Plan. All contributions to the Plan must be transferred by the Employers to the Trust Fund. All benefits under the Plan shall be distributed solely from the Trust Fund pursuant to the Plan.

8.03 Board as Trustee. The Board is the trustee for the Plan assets.

ARTICLE IX - INVESTMENT OF ACCOUNTS

9.01 Investment Options. The Trustees or their duly appointed designee shall evaluate annually the available Investment Options for Participants (or Beneficiaries upon the death of the Participant). Following such evaluation, the Trustees shall determine available Investment Options in their sole discretion. The Participants may direct the investment of their Accounts among the Investment Options selected by the Trustees. The Administrator shall follow the Participants' (or Beneficiaries') directions with respect to the investment of each Participant's (or Beneficiary's) Account.

9.02 Remittance of Contributions. All contributions under the Plan shall be transferred by the Employers to the Trust immediately following the payroll date under Section 3.02. In no event shall contributions be transferred by the Employer to the Plan later than ten (10) business days after the payroll date.

9.03 Investment of Contributions. All contributions shall be transferred to the Service Manager by the Administrator within two (2) Business Days after receipt of the contribution in good order from the Employer. The Service Manager shall then transfer all contributions to the selected Investment Options within two (2) Business Days after receipt of the contribution in good order from the Administrator.

9.04 Investment Default. If a Participant does not have a valid investment direction on file, the Participant's Accounts shall be invested in the balanced fund selected from time to time by the Board. In such event, the Participant shall be deemed to have directed that option for their Accounts.

ARTICLE X - VESTING

10.01 Vesting Standards for Employee Contribution Account. A Participant shall be one hundred percent (100%) Vested in the Participant's Employee Contribution Account at all times.

10.02 Vesting Standards for Employer Contribution Account. A Participant shall be one hundred percent (100%) Vested in the Participant's Employer Contribution Account only upon the completion of five (5) years of Membership Service. Any non-Vested amounts shall be forfeited upon Termination of Service.

10.03 Vesting of Active Participant Upon Death. If an Active Participant dies prior to completion of five (5) years of Membership Service, any amounts in the Participant's Employer Contribution Account shall be forfeited.

10.04 Vesting Standards for the Other Contribution Account. A Participant shall be one hundred percent (100%) vested in the Participant's Other Contribution Account at all times.

10.05 Forfeitures. Any amount forfeited under Sections 10.02 and 10.03 shall be held in a separate Plan forfeiture account and shall be used to pay the administrative expenses of the Plan. These forfeitures shall not be used to increase any Participant's benefit nor shall they be credited against any Employer contributions.

ARTICLE XI - BENEFITS

11.01 Benefit Payments. Benefits shall be paid from the Trust Fund in accordance with this Article following a Participant's Termination of Service or Death. In the case of Disability, benefits may commence at the later of age 60 or Termination, subject to subsection (c). Benefits payable to a Participant or a Beneficiary shall be based upon the value of the Participant's Vested Accounts.

(a) **Termination of Service.** Upon Termination of Service, a Participant is entitled to the Participant's Vested Accounts, and may elect to have benefits commence on a date which is no later than the required distribution date of Code Section 401(a), as specified in Section 11.04. If no election is made, benefits shall commence 120 days after Termination of Service. A Participant may elect to change the commencement date of distribution of the Vested Accounts to a later date otherwise permitted under this Article, so long as the commencement date meets the required distribution date provisions of Code Section 401(a)(9). All benefits shall be paid under a payment option under Section 11.02, subject to the restrictions in Section 11.04.

(b) **Death.** In the event of the Participant's death prior to the commencement of benefits under paragraph (a), the value of the Participant's Vested Accounts shall be paid to the Beneficiary under a payment option elected by the Beneficiary under Section 11.02, subject to the restrictions in Section 11.04. Such benefits shall be payable commencing within 60 days after receipt by the Board of satisfactory proof of the Participant's death. However, if the Beneficiary is the spouse of the Participant, then the spouse may elect within 60 days of Participant's death, to defer distribution to a date not later than the date when the Participant would have attained age 70-½.

(c) **Disability.** If a Participant is Disabled prior to age sixty (60), the Participant may elect to have benefits commence either on the (i) later of age sixty (60) or Termination of Service; or (ii) a date no later than the required beginning date under Code Section 401(a)(9), as specified in Section 11.04. A Participant may change the commencement date of distribution of the Account to a later date otherwise permitted under this Article. All benefits shall be paid under a payment option under Section 11.02. On

or after age 60, a Participant is eligible for benefits, if any, pursuant to Section 11.01(a) or Section 11.01(b).

11.02 Payment Options. The election of a payment option by a Participant or a Beneficiary under this Section must be made no later than 30 days before the commencement of such benefits. Subject to restrictions established by the Administrator, the Plan shall permit payout options in the form of lump sums (including rollovers); periodic payments of a fixed amount, or life expectancy re-determined annually; or life contingent annuities. Absent such an election, the Vested Accounts will be paid in a lump sum.

11.03 Lump Sum Settlement. Notwithstanding anything in this Plan to the contrary, if a Participant's Vested Accounts balances are less than \$5,000 (or such other amount as determined by the Administrator from time to time) at the time of Termination of Service, the Administrator shall effect a lump sum distribution of the Participant's Vested Accounts.

11.04 Minimum Distribution Rules. Notwithstanding any provision of this Plan to the contrary, any distribution under the Plan shall be made in accordance with Code Section 401(a)(9) and the regulations established thereunder as they are amended. No payment option may be selected by a Participant unless the amounts payable to the Participant are expected to be at least equal to the minimum distribution required under Section 401(a)(9) of the Code. The amounts payable also must satisfy the minimum distribution incidental benefit requirements of Section 401(a)(9)(G) of the Code.

Payment of the Vested Accounts of a Participant shall begin not later than the "required beginning date." For purposes of this Section, "required beginning date" means April 1 of the calendar year following the later of (i) the calendar year in which the Participant reaches age seventy and one-half (70 ½), or (ii) the calendar year in which the Participant retires. The amount to be distributed each year, beginning with distributions for the first distribution year shall not be less than the quotient obtained by dividing the Participant's benefit by the lesser of (i) the applicable life expectancy, or (ii) if the Participant's spouse is not the designated beneficiary, the applicable divisor specified in Code Section 401(a)(9) or the regulations promulgated thereunder. Distributions after the death of the Participant shall be distributed using the applicable life expectancy as the relevant divisor. Life expectancies shall not be recalculated annually.

11.05 Designated Beneficiary. A Participant shall have the right to file with the Administrator an Applicable Form designating the Beneficiary or Beneficiaries who shall receive the benefits payable under the Plan in the event of the Participant's death. No Beneficiary designation shall take effect until an Applicable Form is signed by the Participant and received and accepted by the Administrator. If the Participant dies without a Beneficiary form on file with the Administrator, the benefit payments shall be made to the Participant's estate.

A Participant shall have the right to designate at least one primary and contingent Beneficiary and to indicate whether the Beneficiaries in each class are to share equally or according to specified percentages. A contingent Beneficiary shall receive benefit payments only if there is no surviving primary

Beneficiary. If a Beneficiary predeceases the Participant, the surviving Beneficiaries in the same class (i.e., primary or contingent) will share equally the deceased Beneficiary's share. In the event of the death of a Beneficiary, after the Beneficiary has become entitled to receive benefits, the remaining benefits shall be paid to the estate of the Beneficiary.

11.06 Payments to Beneficiary. In the event of the Participant's death, any remaining benefit shall be distributed according to the following subject to compliance with Code Section 401(a)(9) and regulations thereunder.

(a) If the Participant had begun receiving periodic payments from the Plan that were not annuitized, the balance of the Vested Accounts shall be paid to the Beneficiary at least as rapidly as under the payment option selected by the Participant.

(b) If the Participant had begun receiving payments under an annuity contract, the Beneficiary shall be bound by all restrictions of that contract and the form of payment selected thereunder, and remaining payments, if any, shall be paid to the Beneficiary under the contract.

(c) If the Participant dies before distributions have commenced, a spouse Beneficiary may delay the commencement of benefits until as late as the date the Participant would have attained age 70-½ and may elect to receive payments at such time over the Beneficiary's life expectancy.

(d) If the Participant dies before distributions have commenced, a non-spouse Beneficiary may take a lump sum or a periodic payment. In the case of a lump sum, payment must be made no later than one year after the date of the Participant's death. In the case of a periodic distribution, payment must be to a natural person and commence no later than one year after the date of the Participant's death, but in no event over a period longer than the Beneficiary's life expectancy at the time the distribution commences.

(e) Notwithstanding the foregoing, any payment to an estate, charitable organization or a trust, shall be made in a lump sum.

ARTICLE XII - DISTRIBUTIONS THAT ARE NOT ALLOWED

12.01 No Plan Loans. Plan loans to Participants shall not be permitted.

12.02 No Hardship Distributions. Hardship distributions shall not be permitted.

ARTICLE XIII - FAMILY LAW ORDERS

Family law orders and child support order under 19-2-907, MCA and 19-2-909, MCA shall be honored by the Plan.

ARTICLE XIV - ELIGIBLE ROLLOVER DISTRIBUTIONS FROM THIS PLAN

Notwithstanding any provision of the Plan to the contrary that would otherwise limit a Distributee's election under this Section, a Distributee may elect, at the time and in the manner prescribed by the Board, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover. The following definitions shall apply to this Section:

(a) An "Eligible Rollover Distribution" is any distribution under Article XI of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include: (i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's designated beneficiary, or for a specified period of ten (10) years or more; (ii) any distribution to the extent such distribution is required under Code Section 401(a)(9); or (iii) the portion of any distribution that is not includible in gross income.

(b) An "Eligible Retirement Plan" is an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b), an annuity plan described in Code Section 403(a), a tax sheltered annuity or account under Code Section 403(b), a qualified trust described in Code Section 401(a), or an eligible deferred compensation plan described in Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state which agrees to separately account for amounts transferred into such plan from this Plan that accepts the Distributee's Eligible Rollover Distribution.

(c) A "Distributee" includes an employee or former employee as well as the employee's or former employee's surviving spouse.

(d) A "Direct Rollover" is a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

ARTICLE XV - EMPLOYER OBLIGATIONS

Each Employer is required to remit contributions on a timely basis pursuant to Section 3.02. Beyond that, an Employer has no obligation to each Participant. An Employer shall not be liable for losses arising from expense charges of any kind or from depreciation or shrinkage in the value of investments made under this Plan.

ARTICLE XVI - ADMINISTRATION OF PLAN

16.01 Compliance with Code Section 401(a). At all times, the Plan shall be administered in accordance with and construed to be consistent with Section 401(a) of the Code and its accompanying regulations. The Plan is a money purchase plan, whereby contributions are determined pursuant to Section 3.02 of the Plan.

16.02 USERRA Compliance. Notwithstanding any provision of this Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service shall be provided in accordance with Code Section 414(u), and as required by the Uniformed Services Employment and Reemployment Rights Act ("USERRA").

16.03 Board Duties and Powers. The Administrator shall have the authority to control and manage the operation and administration of the Plan and shall be a named fiduciary of the Plan.

(a) The Administrator shall have such power and authority (including discretion with respect to the exercise of that power and authority) as may be necessary, advisable, desirable or convenient to enable the Administrator to carry out its duties under the Plan. By way of illustration and not limitation, the Administrator is empowered and authorized:

(1) to establish rules, regulations and procedures with respect to administration of the Plan, not inconsistent with the Plan and the Code, and to amend or rescind such rules, regulations or procedures;

(2) to determine, consistently with the Plan, applicable law, rules or regulations, all questions of law or fact that may arise as to the eligibility for participation in the Plan and eligibility for distribution of benefits from the Plan, and the status of any person claiming benefits under the Plan, including without limitation, Participants, former Participants, Beneficiaries, Employees and former Employees;

(3) pursuant to Article XI of the Plan, to make payments from the Trust Fund to Participants, their Beneficiaries and other persons as the Administrator may determine;

(4) to contract with one or more Service Managers to perform education, recordkeeping, investment services, and administrative services under this Plan;

(5) to accept service of legal process;

(6) subject to and consistent with the Code, to construe and interpret the Plan as to administrative issues and to correct any defect, supply any omission or reconcile any inconsistency in the Plan with respect to same.

(b) Any action by the Administrator which is not found to be an abuse of discretion, shall be final, conclusive and binding on all individuals affected thereby. The Administrator may take any such action in such manner and to such extent as the Administrator in its sole discretion may deem expedient and the Administrator shall be the sole and final judge of such expediency.

16.04 Advice. The Administrator may employ or contract with one (1) or more persons to render advice with regard to its responsibilities under the Plan.

16.05 Delegation by Administrator. In addition to the powers stated in Section 16.03, the Administrator may from time to time delegate to an individual, committee or organization certain of its fiduciary responsibilities under the Plan. Any such individual, committee or organization shall remain a fiduciary until such delegation is revoked by the Administrator, which revocation may be without cause and without advance notice. Such individual, committee or organization shall have such power and authority with respect to such delegated fiduciary responsibilities as the Administrator has under the Plan.

16.06 Fiduciary Insurance. The Administrator may require the purchase of fiduciary liability insurance for any of such fiduciaries to cover liability or losses occurring by reason of the act or omission of a fiduciary.

16.07 Payment of Benefits. The Administrator, if in doubt concerning the correctness of its action in making a payment of a benefit, may suspend payment until satisfied as to the correctness of the payment or the person to receive the payment, or may file, in any state court of competent jurisdiction, a suit, in such form as it considers appropriate, for legal determination of the benefits to be paid and the persons to receive them. The Administrator may also bring a suit or take such other action as it deems appropriate in the case of questions involving investment directions. The Administrator shall comply with the final order of the court in any such suit, and Participants, Beneficiaries, Administrator, and Service Manager shall be bound thereby insofar as such order affects the benefits payable under this Plan or the method or manner of payment.

16.08 Payment of Expenses. All expenses and costs associated with the administration and investments of the plan shall be assessed against Plan assets. Administrative costs shall be explicitly assessed against individual Participant Accounts. Investments costs shall be assessed explicitly against each specific Investment Option in a manner determined appropriate by the management of each Investment Option and approved by appropriate federal regulating entities and the Trustees if appropriate.

16.09 Limitation on Recovery. Participants and Beneficiaries may not seek recovery against the Administrator, or any employee, contractor or agent of the Employer or Administrator for any loss sustained by any Participant or Beneficiary due to the nonperformance of their duties, negligence or any other misconduct of the above named persons. This paragraph shall not, however, excuse fraud or a wrongful taking by any person.

ARTICLE XVII - CLAIMS PROCEDURE

Claims under the Plan shall be processed under the terms of the Montana Administrative Procedures Act, 2-4-701 et. seq. MCA.

ARTICLE XVIII - AMENDMENT OF THE PLAN

18.01 Amendment. Subject to the provisions of any applicable law, a majority of the Board may at any time amend or modify this Plan without the consent of the Employers or of Participants (or any Beneficiaries thereof), provided that:

(a) All amendments shall become effective on the first day of the month following the giving of not less than forty five (45) days prior notice of the amendment to Participants. However, this forty-five (45) day notice requirement shall be applicable only if the amendment limits or otherwise restricts the deferral and distribution rights of the Participants. Notice shall be deemed given when the amendment is posted in the office of the Board and is sent to each Employer. No amendments shall deprive any Participant of any of the benefits to which the Participant is entitled under this Plan with respect to amounts credited prior to the effective date of the amendment.

(b) If the Plan is amended or modified, the Administrator shall nonetheless be responsible for the supervision and the payment of benefits resulting from amounts contributed prior to the amendment or modifications in accordance with this Article.

18.02 Amendment for Qualification of Plan. It is the intent of the State that the Plan shall be and remain qualified for tax purposes under the Code. The State shall promptly submit the Plan to the Internal Revenue Service for approval under the Code and all expenses incident thereto shall be borne by the State. The Board may make any modifications, alterations, or amendments to the Plan necessary to obtain and retain approval of the Secretary of the Treasury or his delegate as may be necessary to establish and maintain the status of the Plan as qualified under the provisions of the Code or other federal legislation, as now in effect or hereafter enacted, and the regulations issued thereunder. Any modification, alteration, or amendment of the Plan, made in accordance with this Section, may be made retroactively, if necessary or appropriate. A certified copy of the resolution of the Board making such amendment shall be delivered to the Board, and the Plan shall be amended in the manner and effective as of the date set forth in such resolution, and the Employers, Employees, Participants, beneficiaries, Board, and all others having any interest under the Plan shall be bound thereby.

ARTICLE XIX - TERMINATION

19.01 Termination of Participating Employer. An Employer may terminate participation in the Plan under 19-3-201, MCA. In the case of the complete or partial termination of the Plan, as to one (1) or more Employers, including a termination arising from the complete discontinuance of contributions, the affected portion of the Trust Fund shall continue to be held pursuant to the direction of the Board, for the benefit of affected Participants pursuant to Article XI. The Plan shall remain in full effect with respect to each Employer that does not terminate its participation in the Plan on behalf of its Employees. Employees of an Employer that terminates the Employer's participation in the Plan shall be vested in the Employer Contribution Account regardless of their years of Membership Service.

19.02 Termination of Plan. The Board shall have the right to completely terminate this Plan, subject to any statutory requirements. In such a case, the Board shall be responsible for directing distribution of all assets of the Trust Fund to Participants, Beneficiaries or to a successor plan. In the case of termination of the entire Plan, all Participants as of the termination date shall be vested in the Employer Contribution Account regardless of their years of Membership Service.

ARTICLE XX - NONASSIGNABILITY

20.01 Nonassignment. Except as provided in Article XIII, no Participant, Beneficiary or designee may commute, sell, assign, transfer or otherwise convey the right to receive any payment under the Plan, provided that such payment and right thereto is expressly declared to be nonassignable and nontransferable.

20.02 Rights. Except as provided in Article XIII, the rights of Participants and Beneficiaries under this Plan shall not be subject to the rights of their creditors, and shall be exempt from execution, attachment, prior assignment or any other judicial relief or order for the benefit of creditors or other third person, except to the extent a benefit distributable under Article XI is subject to a federal tax levy.

ARTICLE XXI - MISCELLANEOUS

21.01 Federal Taxes. The Employers and the Board do not guarantee that any particular Federal or State income, payroll, or other tax consequence will occur because of participation in this Plan.

21.02 Contract. This Plan, including any properly adopted amendment hereof, shall constitute the total agreement or contract between the Employer and any Participant regarding the Plan. No oral statement regarding the Plan may be relied upon by any Participant.

21.03 Conflicts. In resolving any conflict between provisions of the Plan and in resolving any other uncertainty as to the meaning or intention of any provision of the Plan, the interpretation that (i) causes the Plan to constitute a qualified plan under the provisions of Code Sections 401 and 414(d) and the Trust

to be exempt from tax under Code Sections 115 and 501, (ii) causes the Plan to comply with all applicable requirements of the Code and (iii) causes the Plan to comply with all applicable Montana statutes and rules, shall prevail over any different interpretation.

21.04 Limitation on Rights. Neither the establishment or maintenance of the Plan, nor any amendment thereof nor any act or omission under the Plan (or resulting from the operation of the Plan) shall be construed:

(a) as conferring upon any Participant, Beneficiary or any other person a right or claim against the Trust, any Employer, the Board, the Administrator, or the Service Manager, except to the extent that such right or claim shall be specifically expressed and provided in the Plan;

(b) as creating any responsibility or liability of the Employer for the validity or effect of the Plan;

(c) as a contract between the Employer and any Participant or other person;

(d) as being consideration for, or an inducement or condition of, employment of any Participant or other person, or as affecting or restricting in any manner or to any extent whatsoever the rights or obligations of the Employer or any Participant or other person to continue or terminate the employment relationship at any time; or

(e) as giving any Participant the right to be retained in the service of the Employer or to interfere with the right of the Employer to discharge any Participant or other person at any time.

21.05 Erroneous Payments. If the Board makes any payment that according to the terms of the Plan and the benefits provided hereunder should not have been made, the Board may recover that incorrect payment, by whatever means necessary, whether or not it was made due to the error of the Board, from the person to whom it was made or from any other appropriate party. For example, if any such incorrect payment is made directly to a Participant, the Board may deduct it when making any future payments directly to that Participant.

21.06 Release. Any payment to any Participant shall, to the extent thereof, be in full satisfaction of the claim of such Participant being paid thereby and the Board may condition payment thereof on the delivery by the Participant of the duly executed receipt and release in such form as may be determined by the Board.

21.07 Liability. The Board shall not incur any liability in acting upon any notice, request, signed letter, telegram or other paper or document or electronic transmission believed by the Board to be genuine or to be executed or sent by an authorized person.

21.08 Governing Laws. The law of the State of Montana shall apply in determining the construction and validity of this Plan, with venue in the First Judicial District in Montana.

21.09 Necessary Parties to Disputes. Necessary parties to any accounting, litigation or other proceedings relating to the Plan shall include only the Board. The settlement or judgment in any such case in which the Board are duly served shall be binding upon all affected Participants in the Plan, their beneficiaries, estates and upon all persons claiming by, through or under them.

21.10 Severability. If any provision of the Plan shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions of the Plan shall continue to be fully effective.

21.11 Supersession. The terms of the Plan shall supersede any previous agreement between the parties pertaining to the Plan.

21.12 Counterparts. This Plan may be executed in one (1) or more counterparts, each of which shall constitute an original.

IN WITNESS WHEREOF the undersigned has executed this Plan on the date indicated:

BOARD OF TRUSTEES

Date

President

648190.6

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I - DEFINITIONS	1
1.01 "Accounts"	1
1.02 "Active Participant"	1
1.03 "Administrator"	1
1.04 "Applicable Form "	1
1.05 "Beneficiary"	2
1.06 "Board"	2
1.07 "Code"	2
1.08 "Compensation"	2
1.09 "Defined Benefit Plan"	2
1.10 "Disability" or "Disabled"	2
1.11 "Effective Date "	2
1.12 "Eligible Employee"	2
1.13 "Employer"	2
1.14 "Inactive Participant"	2
1.15 "Investment Option"	2
1.16 "MCA"	3
1.17 "Membership Service"	3
1.18 "ORP"	3
1.19 "Participant"	3
1.20 "Participation Agreement"	3
1.21 "Plan"	3
1.22 "Plan Year"	3
1.23 "Service Manager"	3
1.24 "State"	3
1.25 "Termination from Service"	3
1.26 "Trust"	3
1.27 "Trust Fund"	3
1.28 "Trustees"	3
1.29 "Vested Accounts"	4
ARTICLE II - PARTICIPATION	4
2.01 Eligibility.	4
2.02 Changes to Election.	4
2.03 Termination of Plan Participation.	5

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
ARTICLE III - CONTRIBUTIONS	5
3.01 Contributions.	5
3.02 Employer Contributions.	5
3.03 Employee Contributions.	6
3.04 Payment of Employer and Employee Contributions.	6
3.05 Rollover Contributions.	6
ARTICLE IV - LIMITATIONS ON CONTRIBUTIONS	6
4.01 Applicability of Article.	6
4.02 Limitation under Code Section 415.	6
4.03 Limitation under Code Section 401(a)(17).	8
ARTICLE V - TRANSFERS	8
5.01 Transfer from Defined Benefit Plan for Participants with Service Before the Effective Date.	8
5.02 Transfers from the Defined Benefit Plan for Participants Hired on or after the Effective Date.	9
ARTICLE VI - ACCOUNTS AND REPORTS	9
6.01 Accounts.	9
6.02 Statements of Accounts.	9
6.03 Statements of Account to the Administrator.	9
6.04 Year End Reports.	10
6.05 Account Reviews.	10
ARTICLE VII - VALUATION OF ACCOUNTS	10
7.01 Valuation.	10
7.02 Deposits.	10

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
ARTICLE VIII - TRUST	10
8.01 Trust Status.	10
8.02 Trust Fund.	10
8.03 Board as Trustee.	10
ARTICLE IX - INVESTMENT OF ACCOUNTS	11
9.01 Investment Options.	11
9.02 Remittance of Contributions.	11
9.03 Investment of Contributions.	11
9.04 Investment Default.	11
ARTICLE X - VESTING	11
10.01 Vesting Standards for Employee Contribution Account.	11
10.02 Vesting Standards for Employer Contribution Account.	11
10.03 Vesting of Active Participant Upon Death.	11
10.04 Vesting Standards for the Other Contribution Account.	11
10.05 Forfeitures.	12
ARTICLE XI - BENEFITS	12
11.01 Benefit Payments.	12
11.02 Payment Options.	12
11.03 Lump Sum Settlement.	13
11.04 Minimum Distribution Rules.	13
11.05 Designated Beneficiary.	13
11.06 Payments to Beneficiary.	14
ARTICLE XII - DISTRIBUTIONS THAT ARE NOT ALLOWED	14
12.01 No Plan Loans.	14
12.02 No Hardship Distributions.	14

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
ARTICLE XIII - FAMILY LAW ORDERS	14
ARTICLE XIV - ELIGIBLE ROLLOVER DISTRIBUTIONS FROM THIS PLAN	14
ARTICLE XV - EMPLOYER OBLIGATIONS	15
ARTICLE XVI - ADMINISTRATION OF PLAN	15
16.01 Compliance with Code Section 401(a).	15
16.02 USERRA Compliance.	15
16.03 Board Duties and Powers.	16
16.04 Advice.	16
16.05 Delegation by Administrator.	16
16.06 Fiduciary Insurance.	17
16.07 Payment of Benefits.	17
16.08 Payment of Expenses.	17
16.09 Limitation on Recovery.	17
ARTICLE XVII - CLAIMS PROCEDURE	17
ARTICLE XVIII - AMENDMENT OF THE PLAN	18
18.01 Amendment.	18
18.02 Amendment for Qualification of Plan.	18
ARTICLE XIX - TERMINATION	18
19.01 Termination of Participating Employer.	18
19.02 Termination of Plan.	19
ARTICLE XX - NONASSIGNABILITY	19
20.01 Nonassignment.	19
20.02 Rights.	19
ARTICLE XXI - MISCELLANEOUS	19

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
21.01 Federal Taxes.	19
21.02 Contract.	19
21.03 Conflicts.	19
21.04 Limitation on Rights.	19
21.05 Erroneous Payments.	20
21.06 Release.	20
21.07 Liability.	20
21.08 Governing Laws.	20
21.09 Necessary Parties to Disputes.	20
21.10 Severability.	20
21.11 Supersession.	20
21.12 Counterparts.	21